

UNAUDITED

# **TW Holdings Limited**

**ACN 008 095 207**

PRELIMINARY FINAL ASX REPORT  
for the year ended  
30 JUNE 2014

	2014 \$	2013 \$	Movement	Percentage Change
Revenues from ordinary activities	0	0	no change	-
Loss from ordinary activities after tax attributable to the members	708,212	417,232	down	69%
Loss for the year attributable to the members	708,212	417,232	down	69%

#### **DIVIDENDS**

No dividends have been provided for or paid by the consolidated entity in respect of the year ended 30 June 2014 (2013 – nil).

	2014	2013
<b>NET TANGIBLE ASSETS PER SECURITY (cents)</b>	0.161	0.334

#### **BASIS OF FINANCIAL REPORT PRESENTATION**

This financial report is for the year ended 30 June 2014 and has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with the Corporations Act 2001. The accounting policies adopted with the contents of this report are consistent with those of the previous financial year and corresponding interim reporting period. Comments are for the twelve months ended 30 June 2014 with comparatives for the twelve months ended 30 June 2013. All amounts are measured in Australian dollars.

#### **AUDIT STATUS**

The financial statements contained within this Appendix 4E are in the process of being audited and, as such, the accounts are presented unaudited.

#### **REVIEW AND RESULTS OF OPERATIONS**

##### ***Wine Business***

The Company continued to manage existing operations with no material changes to report.

##### ***Corporate***

During the year the Company incurred a loss after tax of \$708,212 (2013 – loss of \$417,232).

The Company's financial position is sound as at the end of the year, with cash on hand of \$784,931.

The Board is currently evaluating a number of investment opportunities as part of its wider strategy to acquire interests outside the wine industry which will be value enhancing. Further announcements will be made in relation to these developments as they progress.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
<b>Continuing operations</b>			
Other income	4(a)	35,542	56,066
<b>Expenses</b>			
Administration expenses	4(b)	(327,506)	(287,912)
Directors fees		(120,000)	(120,000)
Project expenses		(295,211)	-
Depreciation expense		(1,037)	(860)
<b>Loss before income tax expense</b>		(708,212)	(408,772)
Income tax expense	5	-	(8,460)
<b>Net loss for the year</b>		(708,212)	(417,232)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(708,212)	(417,232)
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	12	(0.1)	(0.1)

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	15(a)	784,931	1,387,780
Trade and other receivables	6	18,681	22,847
Other assets	7	-	15,267
Total Current Assets		803,612	1,425,894
<b>Non-Current Assets</b>			
Property, plant and equipment	8	1,552	2,589
Total Non-Current Assets		1,552	2,589
<b>TOTAL ASSETS</b>		805,164	1,428,483
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	143,025	58,132
Total Current Liabilities		143,025	58,132
<b>TOTAL LIABILITIES</b>		143,025	58,132
<b>NET ASSETS</b>		662,139	1,370,351
<b>EQUITY</b>			
Issued capital	10	80,486,376	80,486,376
Accumulated losses	11	(79,824,237)	(79,116,025)
<b>TOTAL EQUITY</b>		662,139	1,370,351

The statement of financial position should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>Losses</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2013	80,486,376	-	(79,116,025)	1,370,351
<i>Comprehensive income</i>				
Net loss for the year	-	-	(708,212)	(708,212)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(708,212)</b>	<b>(708,212)</b>
<b>Total transactions with owners and other transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2014</b>	<b>80,486,376</b>	<b>-</b>	<b>(79,824,237)</b>	<b>622,139</b>

for the year ended 30 June 2013

	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>Losses</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2012	79,987,061	14,000	(78,712,793)	1,288,268
<i>Comprehensive income</i>				
Net loss for the year	-	-	(417,232)	(417,232)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(417,232)</b>	<b>(417,232)</b>
Shares issued during the year	500,000	-	-	500,000
Exercise of options	20,000	-	-	20,000
Transfer from share option reserve upon exercise of options	-	(14,000)	14,000	-
Transaction costs (net of tax)	(20,685)	-	-	(20,685)
<b>Total transactions with owners and other transfers</b>	<b>499,315</b>	<b>(14,000)</b>	<b>14,000</b>	<b>499,315</b>
<b>Balance at 30 June 2013</b>	<b>80,486,376</b>	<b>-</b>	<b>(79,116,025)</b>	<b>1,370,351</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Interest received		44,710	50,751
Project due diligence		(295,211)	-
Payments to suppliers and employees		(352,348)	(467,595)
Net cash outflow used in operating activities	5(b)	(602,849)	(416,844)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(3,449)
Net cash outflow from investing activities		-	(3,449)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of transaction costs)		-	490,855
Net cash inflow from financing activities		-	490,855
Net increase (decrease) in cash and cash equivalents		(602,849)	70,562
Cash and cash equivalents at the beginning of the financial period		1,387,780	1,317,218
Cash at the end of the financial period	5(a)	784,931	1,387,780

The above statement of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all of the years presented unless otherwise stated.

#### (a) Basis of preparation

##### *Statement of Compliance*

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial report is presented in Australian dollars, which is the Company's functional and presentational currency.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (b) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the notional income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A deferred tax asset for unused tax losses is recognised only if it is probable that future taxable amounts will be available to utilise losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

#### (c) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 2 to 5 years.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount from assets.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### (d) Financial instruments

#### *Classification*

The Company classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after 30 June 2014 which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### *Available-for-sale financial assets*

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of 30 June 2014.

#### *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

When securities are classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

#### *Subsequent measurement*

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of income from continuing operations when the company’s right to receive payment is established.

### *Fair value*

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the company establishes fair value by using valuation techniques.

### *Impairment*

At each balance date the company assesses whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

#### **(e) Impairment of assets**

At each reporting date the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### **(f) Provisions and employee benefits**

##### *Provisions and employee benefits*

Provisions are recognised when the Company has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at 30 June 2014 using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

##### *Employee leave benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees’ services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(h) Revenue recognition**

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

**(i) Trade and other payables**

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are presented as current unless payment is not due within 12 months.

**(j) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("management approach"). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of TW Holdings Limited.

**(k) Share based payments**

The Company provides benefits to directors, employees, consultants and other advisors of the company in the form of share-based payments, whereby the directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of the company if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired, and
- the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

### (j) Earnings per share

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

## 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

## 3. OPERATING SEGMENTS

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.

## 4. REVENUE AND EXPENSES

	2014 \$	2013 \$
<b>(a) Revenue and other income</b>		
Interest and other income	35,542	56,066
	<u>35,542</u>	<u>56,066</u>
<b>(b) Expenses</b>		
Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	120,000	116,600
Defined contribution superannuation expense	-	3,400
	<u>120,000</u>	<u>120,000</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2014 \$	2013 \$
<b>5. INCOME TAX</b>		
Tax expense comprises:		
Tax portion of share issue costs	-	8,460
Total tax expense	-	8,460
Income tax expense calculated at 30%	(195,821)	(122,632)
Add tax effect of:		
Tax portion of share issue costs	-	8,460
Less:		
Effect of expenses that are not deductible in determining loss	195,821	122,632
	-	8,460
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
The Company has tax losses arising in Australia of \$41,184,448 (2013 - \$40,988,627) that are available indefinitely for offset against future taxable profits, subject to meeting eligibility criteria within the Income Tax Assessment Act. No deferred tax asset has been recognised as there is uncertainty whether forecast future taxable profits will be realised that will utilise the tax losses.		
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Goods and services tax recoverable	19,913	13,679
Accrued income	-	9,168
	19,913	22,847
<b>7. OTHER CURRENT ASSETS</b>		
Prepaid expenses	-	10,867
Other	-	4,400
	-	15,267

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>		
<u>Cost</u>		
Balance at 1 July	3,449	-
Acquisitions	-	3,449
Balance at 30 June	<u>3,449</u>	<u>3,449</u>
<u>Accumulated depreciation</u>		
Balance at 1 July	(860)	-
Depreciation for the year	(1,037)	(860)
Balance at 30 June	<u>(1,897)</u>	<u>(860)</u>
Net book value	<u>1,552</u>	<u>2,589</u>
<b>9. TRADE AND OTHER PAYABLES</b>		
Trade payables	50,111	9,832
Accrued expenses	92,914	48,300
	<u>143,025</u>	<u>58,132</u>
<b>10. ISSUED CAPITAL</b>		
410,258,865 fully paid, ordinary shares (2013: 410,258,865)	<u>80,486,376</u>	<u>80,486,376</u>
	<b>2014</b>	<b>2014</b>
	No.	\$
Fully paid, ordinary shares		
Balance at 1 July	410,258,865	80,486,376
Movement during the year	-	-
Balance at 30 June	<u>410,258,865</u>	<u>80,486,376</u>

The ordinary shares have no par value and the Company does not have a limited amount of ordinary share capital.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2014 \$	2013 \$
<b>11. ACCUMULATED LOSSES</b>		
Balance at 1 July	(79,116,025)	(78,712,793)
Transfer from Share Option Reserve	-	14,000
Net loss attributable to members of the Company	(708,212)	(417,232)
Balance at 30 June	<u>(79,824,237)</u>	<u>(79,116,025)</u>
<b>12. EARNINGS PER SHARE</b>		
Basic earnings; cents per share	<u>(0.1)</u>	<u>(0.1)</u>
Diluted earnings; cents per share	<u>(0.1)</u>	<u>(0.1)</u>
<b>Basic earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share are as follows:		
Net loss	<u>(708,212)</u>	<u>(417,232)</u>
	Number	Number
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>410,258,865</u>	<u>395,453,386</u>
<b>13. DIVIDENDS</b>		
No dividends were declared or paid during the financial year (2013: Nil)		
Franking account balance at 1 July and 30 June	<u>1,404,000</u>	<u>1,404,000</u>
<b>14. COMMITMENTS FOR EXPENDITURE</b>		
There are no capital, finance lease or operating lease commitments at 30 June (2013: Nil)		
<b>15. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of cash and cash equivalents</b>		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	<u>784,931</u>	<u>1,387,780</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

	2014 \$	2013 \$
<b>(b) Reconciliation of profit for the year to net cash flows from operating activities</b>		
Loss for the year after tax	(708,212)	(417,232)
Non cash income tax expense	-	8,460
Depreciation	1,037	860
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in trade and other receivables	15,033	(14,500)
(Increase)/Decrease in other current assets	4,400	(15,267)
Increase/(Decrease) in trade and other payables	84,893	20,835
Net cash used in operating activities	<u>(602,849)</u>	<u>(416,844)</u>

## 16. FINANCIAL INSTRUMENTS

### (a) Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through optimising the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and accumulated losses as disclosed in Notes 10 and 11.

### (b) Financial Risk Management

The Company's financial management team provides services to the business, coordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company and identifies any exposures by degree and magnitude of risks. These risks include credit risk, liquidity and cash flow interest rate risk and currency risk. The Company actively pursues avenues to minimise the effect of these risks.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

### (c) Categories of Financial Instruments

#### Financial Assets

Cash and cash equivalents	<u>784,931</u>	<u>1,387,780</u>
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#### Financial Liabilities

Amortised cost	<u>50,111</u>	<u>9,832</u>
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## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### **(d) Foreign Currency Risk**

The Company undertakes certain transaction denominated in United States dollars and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The Company's exposure to currency risk at 30 June 2014 was \$Nil (2013: \$Nil). The effect of future movements in the exchange rate for United States dollars on the Company's financial position and results of its activities is likely to be negligible.

### **(e) Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed periodically.

The Company does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and borrowings is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

### **(f) Fair Value of Financial Instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The carrying amount approximates fair value because of their short term to maturity; and
- the fair value of short term financial liabilities and approximates because of their short term to maturity; and
- the fair value of long term finance borrowings is estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statement approximates their fair values.

### **(g) Interest rate risk management**

The Company is exposed to interest rate risk as it holds cash deposits at floating interest rates. The risk is that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section below.

#### ***Interest rate sensitivity analysis***

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting date. The board of Directors has determined that a 50 basis point increase or decrease represents a material interest rate risk and represents management's assessment of the possible changes in interest rates.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

At reporting date, if the interest rates has been 50 basis points higher or lower and all other variables were held constant, the Company's net profit would have been increased by \$6,938 and decrease by \$6,938 respectively. This is attributable to the Company's exposure to interest rates to interest rates on its variable rate deposits.

### (h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### Maturity Profile of Financial Instruments

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The financial liabilities are derived on undiscounted cash flows based on the earliest date on which the Company can be required to pay:

	Average Interest Rate %	Less than 1 year \$	1 to 5 years \$	5+ years \$	Total \$
<b>2014</b>					
<u>Financial Liabilities</u>					
Trade payables	Nil	50,111	-	-	50,111
<b>2013</b>					
<u>Financial Liabilities</u>					
Trade payables	Nil	9,832	-	-	9,832

### 17. CONTINGENT LIABILITIES

There are no contingent liabilities requiring disclosure in the financial report.

### 18. SUBSEQUENT EVENTS

There are no matters that have arisen since the end of the financial year requiring disclosure in the financial report.

## **COMPLIANCE STATEMENT**

1. This report has been prepared in accordance with AASB Standards, other authoritative pronouncements and Urgent Issues Group Consensus Views.
2. This report gives a true and fair view of the matters disclosed.
3. This report is based on accounts which are in the process of being audited.

**Scott Douglas**  
Chairman  
29 August 2014